

AMENDED IN ASSEMBLY JULY 30, 1998
AMENDED IN ASSEMBLY JUNE 30, 1998
AMENDED IN ASSEMBLY JUNE 18, 1998
AMENDED IN SENATE MAY 4, 1998
AMENDED IN SENATE FEBRUARY 17, 1998

SENATE BILL

No. 1413

Introduced by Senator Knight

January 15, 1998

An act to add Section 10111.2 to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1413, as amended, Knight. Disability insurance claims: interest payments.

Existing law, governing life and disability insurance, provides, among other things, that the only measure of insurer liability and damage is the sum payable to the insured in the manner and at the times as provided in the policy.

This bill would, in addition, provide that if any insurer fails to pay any benefits under a policy of disability income insurance, as defined, within 30 calendar days after the insurer has received all information needed to determine liability *and has determined that liability exists*, ~~the~~ *any delayed* payment shall bear interest, as specified. This bill would also provide that the 30 calendar day period shall not include any time during which the insurer is awaiting a response for relevant

medical information from a health care provider, awaiting a response from the claimant, or investigating fraud, as specified. This bill would also provide that if the insurer has not received all information needed to determine liability for a claim within 30 calendar days after receipt of the claim, the insurer shall notify the insured in writing and include a written list of all information it reasonably needs to determine liability for the claim, in which case, the 30 calendar day period shall commence when the insured has provided to the insurer all information listed in that notification.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10111.2 is added to the Insurance
2 Code, to read:
3 10111.2. (a) Under a policy of disability income
4 insurance, as defined in subdivision (i) of Section 799.01,
5 payment of benefits to the insured shall be made within
6 30 calendar days after the insurer has received all
7 information needed to determine liability for a claim.
8 However, the 30 calendar day period shall not include any
9 time during which the insurer is doing any of the
10 following:
11 (1) Awaiting a response for relevant medical
12 information from a health care provider.
13 (2) Awaiting a response from the claimant to a request
14 for additional relevant information.
15 (3) Investigating possible fraud that has been reported
16 to the department's Fraud Division in compliance with
17 subdivision (a) of Section 1872.4.
18 (b) If the insurer has not received all information
19 needed to determine liability for a claim within 30
20 calendar days after receipt of the claim, the insurer shall
21 notify the insured in writing and include a written list of
22 all information it reasonably needs to determine liability
23 for the claim. In that event, the 30 calendar day period set
24 out in subdivision (a) shall commence when the insured
25 has provided to the insurer all information in that



1 notification. If no notice is sent by the insurer within 30
2 calendar days after the claim is filed by the ~~issued~~ insured,
3 interest shall begin to accrue on the payment of benefits
4 on the 31st calendar day after receipt of the claim, at the
5 rate of 10 percent per year.

6 (c) ~~If~~ *When* the insurer has received all information
7 needed to determine liability for a claim, and the insurer
8 *determines that liability exists and* fails to make payment
9 of benefits to the insured within ~~the 30 calendar days, the~~
10 *30 calendar days after the insurer has received that*
11 *information, any delayed* payment shall bear interest,
12 beginning the 31st calendar day, at the rate of 10 percent
13 per year. *Liability shall, in all cases, be determined by the*
14 *insurer within 30 calendar days of receiving all*
15 *information set out in the insurer's written notification to*
16 *the insured.*

17 (d) Nothing in this section is intended to restrict any
18 other remedies available to an insured by statute or any
19 other law.

